For Release Monday. May 30, 1960

Barnat Mines Ltd.

(No Personal Liability)

Associate *Little Long Lac Gold Mines Limited*

Annual Report for year ended Dec. 31, 1959

Barnat Mines Ltd.

(No Personal Liability)

OFFICERS

Robert C. Stanley, Jr.	*President*
J. George Boeckh	*Vice-President*
Miss B. A. Argo	*Secretary*

DIRECTORS

John C. L. Allen
J. C. Adamson, P.Eng.
S. J. Bird
J. George Boeckh
P. K. Hanley
M. C. Maddigan *
Robert C. Stanley, Jr.

TRANSFER AGENTS

Chartered Trust Company
Toronto, Ont. and Montreal, Que.

AUDITORS

Gunn, Roberts and Co.
Toronto, Ont.

EXECUTIVE OFFICE

602 - 199 Bay Street, Toronto, Ont.

* Deceased January 2, 1960.

Report of the Directors

To the Shareholders:

Your Directors submit herewith the Annual Report and Financial Statements for the fiscal year ended December 31st, 1959, together with the Auditors' Report thereon. While a loss on operations of some $400,000 was incurred in 1959, it must be kept in mind that the mine was being prepared and equipped to handle 1,850 tons of ore daily, the costs of which were fully absorbed during the past year.

It had been expected that the mine would be shipping around 1,850 tons per day early in 1960 but the locating of additional ore at the Malartic Gold Fields' mine, which is on a salvage basis, necessitated a re-arrangement of trucking schedules. Apart from the temporary delay in stepping up shipments, this is no real hardship as ore still in place or developed underground does not deteriorate. The scheduling of ore shipments is fully set forth in the report of the General Manager.

EXPLORATION:

During 1959 a great deal of exploration work was carried out from the 1250-foot level for the purpose of further outlining the dimensions of the new porphyry orebody and to probe for additional bodies at greater depths. As mentioned in the General Manager's report, a series of drill holes below the 1250-foot level indicated the probable resumption of ore occurrences and it can be stated that some of the ore intersections were quite important both as to values and dimensions. Due to the fact that it was physically impossible to undertake a full-scale drilling program downward from the 1250-foot level, it was decided to extend a drive westward on the 1575-foot level and from this horizon, proceed with a comprehensive exploration program. The drive is now underway.

Your Directors have no hesitancy in stating that the more immediate outlook for your Company has been vastly improved as the result of the vigorous development and exploration undertakings instituted in 1960.

A sketch map of the central Malartic area accompanies this report, which shows the boundaries of your property, ore zones and the location of East Malartic and other mines in the immediate sector. Your Directors feel that this map will be of interest to all shareholders.

It is fitting at this time to express the Directors' appreciation to Mr. T. V. Nethery, P.Eng., General Manager; the Staff and all Employees for the loyal and efficient services during the year.

On behalf of the Board,

ROBERT C. STANLEY, JR.,
President.

May 6, 1960.

Barnat Mines' main production shaft is shown in lower left and Barnat No. 2 shaft extreme right. East Malartic Mines is shown in background.

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ASSETS

			1958 for Comparison
CURRENT ASSETS:			
Cash	$ 92,590		$ 318,797
Bullion at net realizable value	130,527		87,197
Investment in short term notes at cost	54,028		—
Accounts receivable	770		5,173
Marketable securities at cost (quoted market value, 1959 $290,600; 1958 $578,900)	295,208		580,694
Advances to associated companies	—		758
Amount receivable under the Emergency Gold Mining Assistance Act	200,986		235,329
Prepaid expenses	28,630		15,149
		$ 802,739	1,243,097
SUPPLIES at average cost		113,114	133,836
SHARES IN ASSOCIATED COMPANIES at cost: (quoted market value 1959 — $18,000; 1958 — $21,375)		26,064	42,635
FIXED ASSETS:			
Mining properties at cost less sale proceeds	342,437		343,696
Buildings, machinery and equipment at cost $2,451,702			2,118,983
Less accumulated depreciation 1,642,939	808,763		(1,492,897)
		1,151,200	969,782
DEFERRED EXPENDITURES:			
Preproduction expenditures less amount written off	56,979		113,223
Shaft sinking expenditures, etc. less amount written off	111,882		148,627
Operating expenditures deferred	8,059		15,207
		176,920	277,057
		$2,270,037	$2,666,407

AUDITORS' REPO

We have examined the balance sheet of Barnat Mines Ltd. (No Personal Lia
then ended and have obtained all the information and explanations we have requir
accounting records and other supporting evidence as we considered necessary in th

In our opinion, and according to the best of our information and the explana
statements of income and retained earnings are properly drawn up so as to exhibit
the results of its operations for the year then ended, in accordance with generally ac
for the changes, which we approve, in the basis of computing depreciation and de

Toronto, Canada,
February 25, 1960.

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the Province of Quebec

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1959

LIABILITIES

			1958 for Comparison
Current Liabilities:			
Accounts payable and accrued liabilities	$ 100,796		$ 114,638
Mortgage principal payable within one year	5,321		5,090
Taxes payable	—		24,135
Payable to associated companies	80,491		24,924
		$ 186,608	168,787
Mortgage Payable, 4½%, repayable by semi-annual payments to October 1, 1962	16,700		
Less amount included in current liabilities	5,321		
		11,379	16,701
Debenture Notes, 5%, due December 31, 1961, redeemable on 30 days' notice		297,200	303,500
Shareholders' Equity:			
Capital stock			
Authorized — 5,000,000 shares of $1 each			
Issued — 3,900,000 shares	3,900,000		3,900,000
Less discount on shares	3,197,510		3,197,510
	702,490		702,490
Retained earnings	1,072,360		1,474,929
		1,774,850	2,177,419
		$2,270,037	$2,666,407

Approved on behalf of the Board:

ROBERT C. STANLEY, JR., Director.

J. GEORGE BOECKH, Director.

E SHAREHOLDERS

: December 31, 1959 and the statements of income and retained earnings for the year
amination included a general review of the accounting procedures and such tests of
nces.

to us and as shown by the books of the company, the accompanying balance sheet and
orrect view of the state of the affairs of the company as at December 31, 1959 and
unting principles applied on a basis consistent with that of the preceding year except
opment write-offs set out in the note to the financial statements.

GUNN, ROBERTS AND CO.,
Chartered Accountants.

Statement of Income

For the year ended December 31, 1959

			1958 for Comparison
OPERATING REVENUE:			
Bullion recovery	$1,286,193		$1,471,360
Less marketing expenses	10,615		12,130
		$1,275,578	1,459,230
Assistance under the Emergency Gold Mining Assistance Act (1959 — $392,964 less 1958 adjustment of $49,877)		343,087	429,601
		1,618,665	1,888,831
OPERATING EXPENSES:			
Mine development	229,391		356,561
Mining	1,008,785		767,839
Milling	260,505		212,081
Ore haulage	38,153		34,647
Mine office and supervision	103,211		84,831
General expenses at the property	131,328		132,716
Administrative and corporate expenses	58,392		64,274
Quebec mining tax (re prior years)	(4,401)		6,950
		1,825,364	1,659,899
OPERATING LOSS before providing for undernoted items (profit in 1958)		(206,699)	228,932
OTHER EXPENSES:			
Depreciation	153,000		211,498
Proportion of preproduction expenditures written off	56,244		56,061
Outside exploration	—		4,143
Interest on debenture notes and mortgage	15,757		17,129
		225,001	288,831
		(431,700)	(59,899)
OTHER INCOME:			
Investment income	24,791		17,565
Profit on redemption of debenture notes	315		3,854
Profit on sale of securities	4,025		—
		29,131	21,419
		(402,569)	(38,480)
Deduct overprovision for income tax, prior years		—	1,379
Loss for the year (see note)		$ 402,569	$ 37,101

Statement of Retained Earnings

For the year ended December 31, 1959

Balance January 1, 1959	$1,474,929
Loss for the year	402,569
Balance December 31, 1959	$1,072,360

Note To Financial Statements

A change in the basis of calculating the provision for depreciation of buildings, machinery and equipment was made in 1959. The new basis resulted in a reduction of approximately $92,000 in the amount charged in the statement of income as compared with the amount which would have been charged had the previous basis been used. The new basis will continue to be adequate.

Another change affecting the statement of income was also made. The basis of writing off deferred development costs has been changed to provide for amortizing these costs over a three year period. This resulted in an increase of approximately $20,500 in the amount charged in 1959 as compared with the amount which would have been charged had the previous basis been used.

The net result of these two changes was a reduction of $71,500 in the loss reported for 1959.

General Manager's Report

Malartic, Quebec,
March 26th, 1960.

The President and Board of Directors,
Barnat Mines Ltd.,
Suite 602, 199 Bay Street,
Toronto, Ontario.

Dear Sirs:

I submit herewith a Report on the operations of your Company for the fiscal year ended December 31st, 1959.

PRODUCTION:

During the year, 224,472 tons of ore were milled for an average rate of 615 tons per day as compared with 215,840 tons and a daily average of 591 tons in the previous year. Of the total tonnage treated 14,973 tons were handled at the Malartic Gold Fields' mill following the commencement of trucking operations to that mill in mid-November. Shipments of Barnat ore to the Malartic Gold Fields' mill are governed by the amount of ore still available from that mine which is on a salvage basis. Present schedules call for trucking shipments to the Malartic Gold Fields' mill at the rate of 15,000 tons per month commencing April 1st, 1960 with a progressive increase to 25,000 tons by September 1, 1960 and an ultimate rate of 36,500 tons monthly by mid-1961. This rate of 36,500 tons combined with milling 19,000 tons monthly at the Barnat mill, will result in an average rate of 1,850 tons daily.

DEVELOPMENT:

Drifting, crosscutting and diamond drilling on the levels were reduced from the previous year in order to permit preparing the new No. 4 porphyry orebody for production. Stope development and underground preparation were extremely heavy throughout 1959. Lineal feet of stope development (sub-drifts, sub-crosscuts, raises, etc.) amounted to 10,346 feet and was mainly concentrated above the 900 level.

In the stopes above the 900 level in which preparation has been completed, a total of 117,492 feet of long hole drilling has been done and only 50 percent blasted — with the balance held in reserve. With the type of mining in use, it is possible to drill the stopes well in advance of actual stoping operations.

In 1959, major expenditures were made in connection with preparing the mine for increased output and included excavation of the crusher room at the 1425 level and installation of a 36 x 48 jaw crusher; construction of adequate haulage facilities on the 1075 level to handle larger and heavier ore transportation equipment; installation of larger capacity skips in the shaft and installation of a 2500 C.F.M. air compressor.

ORE RESERVES:

The heavy programme of stope development in the new No. 4 porphyry orebody during the year permitted a small portion of this outlined 5,000,000 ton orebody to be placed in ore reserves. As a result, ore reserves were increased to 692,264 tons having an average grade of 0.153 ounces or $5.36 per ton gold.

EXPLORATION:

Exploration throughout the year was mainly concentrated on further outlining the new No. 4 porphyry orebody while continuing the search for further bodies. The drift on the 1075 level was extended 1,266 feet westward to the western limit of the porphyry to provide a base for outlining the ore by diamond drilling on 50-foot centres. Concurrently, the drift on the 1250 level was extended 920 feet westward to the Canadian Malartic boundary. Limited drilling below the 1250 level suggests the possible resumption of ore-making conditions. These possibilities will be assessed by exploration on the 1575 level during 1960.

Towards the year-end, further exploration of the No. 4 diorite ore zone immediately to the east of the porphyry zone on the 700- and 900-foot levels indicated that the number of medium grade diorite orebodies in this section is greater than originally estimated. No difficulty is expected in maintaining reserves from this zone during the coming year. Exploration of the upward and eastward extension of the zone on the 525-foot level also appears to offer fruitful possibilities for exploration in 1960.

Re-assessment of the No. 3 diorite zone shows that a number of small, medium to high grade diorite orebodies remain in close proximity to the existing workings. Economic recovery of a number of these is possible and will greatly assist in maintaining the reserve from this sector of the property.

GENERAL:

During 1959 the Company paid out to its employees in salaries, hourly wages and bonuses, a total of $909,071.00. An amount of $843,373.00 was expended for supplies which included capital purchases in addition to hydro-electric power.

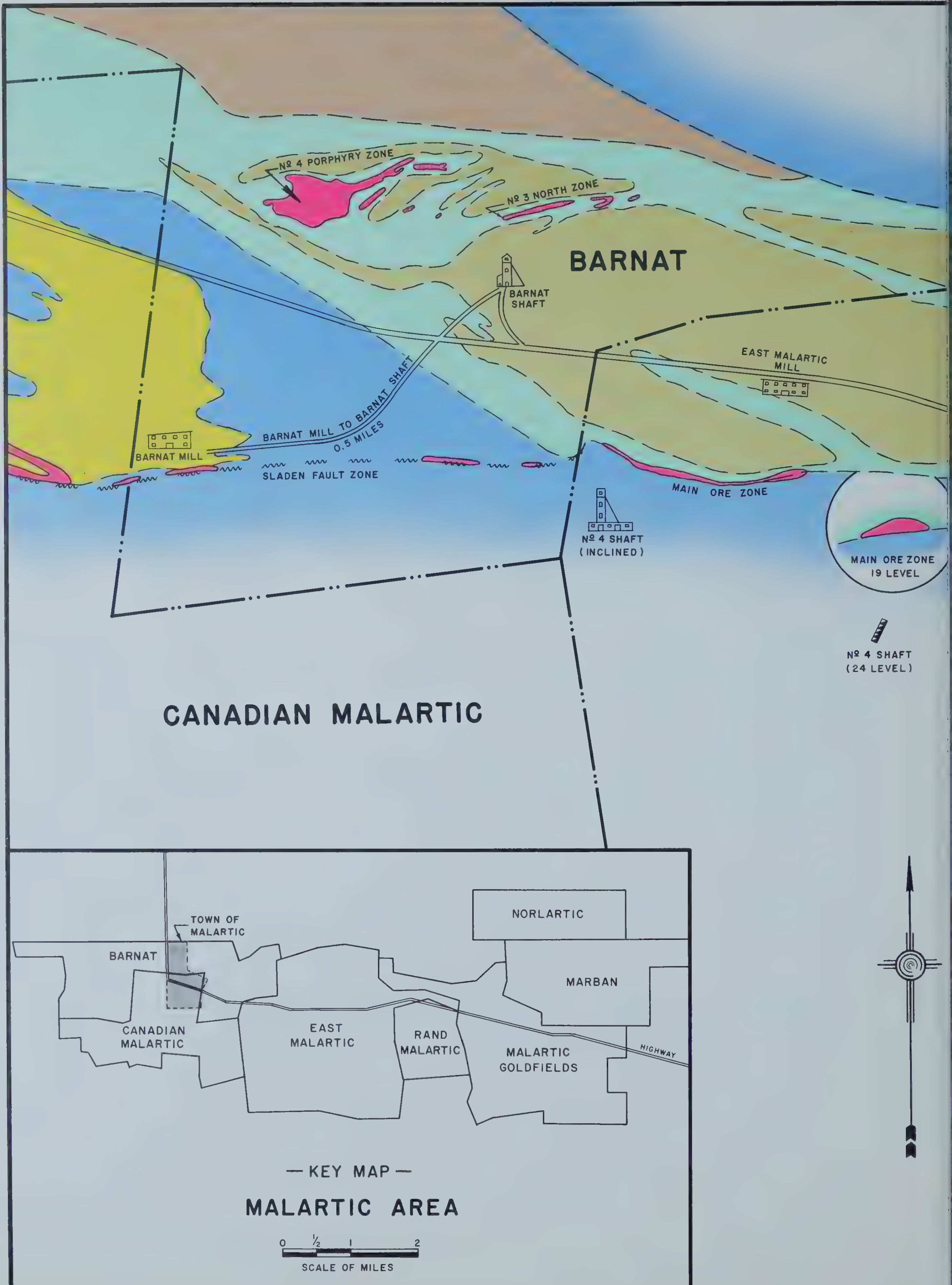
In addition to the heavy outlays in connection with preparing the new No. 4 porphyry orebody, etc. for production as outlined in a preceding paragraph under the heading of Development, major expenditures were necessary in 1959 to improve surface installations — including rehabilitation and additions to the Barnat mill. At the year-end this programme was practically completed and the mill will now treat 675 to 700 tons per day on an efficient basis.

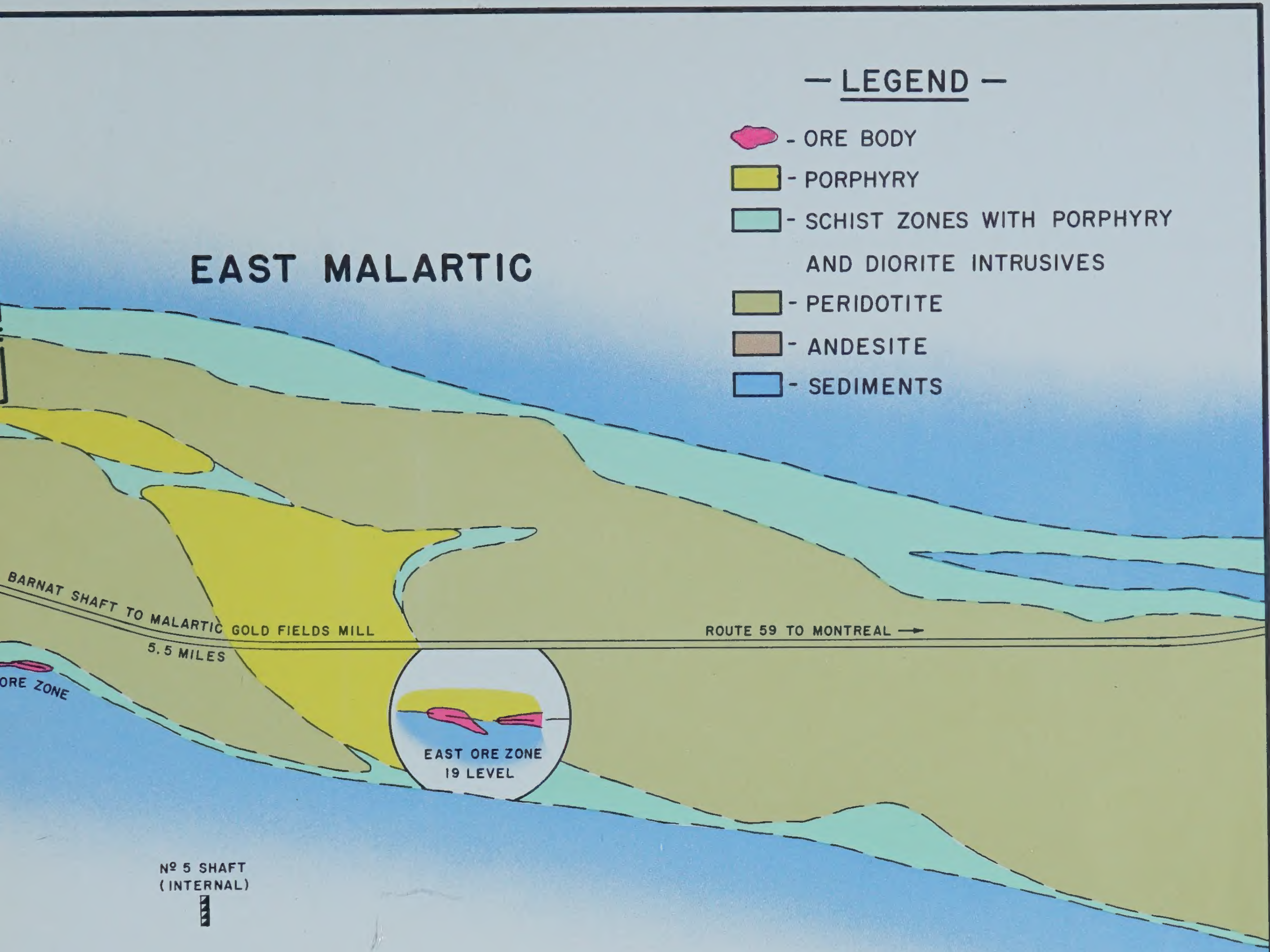
The supply of labour was very satisfactory during the entire year and indications are that this situation will continue due to conditions in other mining areas. In spite of an increase in tonnage and in stope development in the mine, there was no appreciable increase in the number of men employed. The type of mining introduced in the porphyry ore requires less men than methods formerly used. The tons milled per man shift will rise sharply as production improves.

In conclusion, I wish to express my thanks to the President and Directors for their guidance and full cooperation. To all Department Heads and the entire organization personnel, I wish to express my sincere appreciation for their loyal and efficient services.

Respectfully submitted,

T. V. NETHERY, P.Eng.,
General Manager.

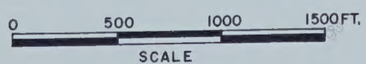

Nº 4 PORPHYRY ZONE
Nº 3 NORTH ZONE
BARNAT
BARNAT SHAFT
EAST MALARTIC MILL
BARNAT MILL TO BARNAT SHAFT 0.5 MILES
BARNAT MILL
SLADEN FAULT ZONE
MAIN ORE ZONE
Nº 4 SHAFT (INCLINED)
MAIN ORE ZONE 19 LEVEL
Nº 4 SHAFT (24 LEVEL)
CANADIAN MALARTIC
TOWN OF MALARTIC
BARNAT
NORLARTIC
MARBAN
CANADIAN MALARTIC
EAST MALARTIC
RAND MALARTIC
MALARTIC GOLDFIELDS
HIGHWAY
— KEY MAP —
MALARTIC AREA
0 ½ 1 2
SCALE OF MILES



COMPOSITE PLAN

BARNAT MINES LTD.
AND
EAST MALARTIC MINES LTD.

GEOLOGY AND ORE BODIES SHOWN AT 6TH. (900 FT.) LEVEL



DECEMBER 31ST. 1959